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FM AMEMBASSY DUSHANBE
TO RUEHC/SECSTATE WASHDC PRIORITY 8604
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 1827
RUEHAK/AMEMBASSY ANKARA 1829
RHMFIUU/HQ USCENTCOM MACDILL AFB FL
RHMFISS/HQ USEUCOM VAIHINGEN GE
RUEKJCS/SECDEF WASHDC
RUEHVEN/USMISSION USOSCE 1796
RUEHNO/USMISSION USNATO 1736
RUEHRL/AMEMBASSY BERLIN PRIORITY 1771
RUEHBS/USEU BRUSSELS PRIORITY 1096
RUEAIIA/CIA WASHDC
RUCNCIS/CIS COLLECTIVE
RHEFDIA/DIA WASHINGTON DC
RUEHDBU/AMEMBASSY DUSHANBE PRIORITY 0022
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 1825
RUEHBUL/AMEMBASSY KABUL PRIORITY 1786
RUEHLO/AMEMBASSY LONDON PRIORITY 1713
RUEHML/AMEMBASSY MANILA PRIORITY 0096
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 1813
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEHFR/AMEMBASSY PARIS PRIORITY 1527
RUEHKO/AMEMBASSY TOKYO PRIORITY 1545
RUCNDT/USMISSION USUN NEW YORK PRIORITY 1339
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SUBJECT: DUSHANBE SCO CONFERENCE - MOVING BEYOND SECURITY INTO
REGIONAL ENERGY AND ECONOMIC COOPERATION

REF: DUSHANBE 1718

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1. SUMMARY: The Shanghai Cooperation Organization (SCO) focused on economic and energy cooperation in its Dushanbe meetings September 15-16. The six member countries issued a joint communique affirming their intention to further cooperate in economic, trade, scientific, technological, social, cultural, and other fields. Pakistan and Tajikistan each concluded bilateral agreements with China. While Tajikistan and China will engage in joint military exercises next week in the Tajik mountains, regional security played a minor role in the SCO meetings. END SUMMARY.

2. As relayed in reftel, the prime ministers of China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan and the Uzbek deputy prime minister met in Dushanbe for the fifth prime minister's meeting of the SCO. In addition, representatives from Iran, Pakistan, India, Mongolia, and Afghanistan participated as observers. The communique signed by the SCO members stated that the SCO's priorities in the near future will be energy, transportation, and telecommunications. The SCO prime ministers want to improve the road network connecting each country and develop new energy export routes that would serve the six states. The countries will seek to establish an "SCO Energy Club," which Kazakh Prime Minister Danial Akhmetov told press sources could be the solution to the energy problems of the all the SCO members. According to the communique, the energy club will coordinate regional energy policy and promote cooperation in the energy sector among SCO members. Developing relations on energy issues and energy security will remain a priority in future meetings of the group, which will meet again some time next year in the Uzbek capital, Tashkent.

13. On September 15, China and Tajikistan affirmed the countries' cooperation on a wide range of issues. Tajik President Emomali Rahmonov met with Chinese Prime Minister Wen Jiabao on the sidelines of the summit and reviewed plans for expanding bilateral trade and investment, as well as discussing details of the upcoming joint military exercises. The countries promised to boost high-level exchanges, and to "deepen mutual political trust." The two countries signed four agreements on cooperation in the fields of technology, anti-drug trafficking, health and medicine, and radio, film and television. According to Embassy contacts, the Kyrgyz representative complained that Tajikistan has gained disproportionately from the \$900 million concessional loan offer from China to all Central Asian countries, (from which Tajikistan borrowed \$637 million). Officials in southern Tajikistan broke ground on September 19 on the Chinese-funded north-south energy transmission lines.

14. According to various media sources, Pakistan's Prime Minister Shaukat Aziz held talks with Chinese Premier Wen Jiabao on the sidelines in which they agreed to broaden and deepen the bilateral relationship. Pakistan and China vowed to strengthen their strategic relationship, expanding it in areas including defense, security, energy and science and technology. The two leaders also reviewed the agreements scheduled to be inked during the November visit of Chinese President Hu Jintao to Pakistan, which Prime Minister Aziz said would be another "milestone" in bilateral relations. Both sides also agreed in principle to conclude an early signing of a Free Trade Agreement, with the Chinese premier adding that Beijing had also agreed in principle to establish a joint investment company, the details of which were currently being worked out.

15. COMMENT: As China's avenue of entry into Central Asia, the SCO appears to be gaining strength as a substantive regional forum for economic as well as security issues. How agreements on divisive energy issues actually derive from "strategic cooperation" remains to be seen. The SCO took no public action,

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for example, to resolve trade and transport issues or broker water and energy tensions between Tajikistan and Uzbekistan. Presidential Advisor Rahmatulloev told Ambassador September 20 that no one is sure what form the "energy club" would take: "It's only at the discussion stage." Privately, local Tajik sources told EmbOffs they see the SCO as a conduit to serve China's geopolitical interests, but Tajikistan will benefit from the creation of alternative routes avoiding Uzbekistan. Russia, Kazakhstan, and Pakistan seem to have bought in to the organization, which one local NGO representative called the "Commonwealth of Authoritarian States." With China bankrolling infrastructure development in the region, Russia and others recognize their governments' need to back up their private investments in order to play the game in the region. END COMMENT.
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